

## Message Text

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ACTION AF-10

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-07 CEA-01 AGR-01 DODE-00 PM-05 H-01 L-03  
PA-01 /113 W

-----025754 101050Z /15

R 091230Z AUG 78  
FM AMEMBASSY DAR ES SALAAM  
TO SECSTATE WASHDC 9471  
INFO AMEMBASSY ABIDJAN  
AMEMBASSY LOME  
AMEMBASSY LUSAKA  
AMEMBASSY NAIROBI  
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 DAR ES SALAAM 3402

E.O. 11652: GDS  
TAGS: ECIN  
SUBJECT: FOREIGN ECONOMIC POLICY TOWARD AFRICA

1. BEGIN SUMMARY. DURING AUGUST 8 MEETING WITH DR. ANNE HOLLOWAY, THOMAS MASARO, ECONOMIC ADVISOR, PRESIDENT'S OFFICE, INDICATED THAT THE PRIMARY CAUSE FOR BREAK-UP OF EAST AFRICAN COMMUNITY (EAC) WAS ABSENCE OF NEEDED GOOD WILL AT POLICY LEVEL. HE STRESSED THAT IDEOLOGICAL DIFFERENCES BETWEEN KENYA AND TANZANIA ALSO PLAYED A PART. MASARO ALSO NOTED SIGNIFICANT TECHNICAL WEAKNESSES RELATED TO FINANCE AND MEANS OF ASSURING EQUITABLE BALANCED DEVELOPMENT IN BASIC EAC AGREEMENT. AS TO FUTURE COOPERATION, MASARO RELATED THAT SOME ELEMENTS OF EAC CONTINUE TO OPERATE BUT HE DID NOT SEE ANY LIKELIHOOD OF REVIVING EAC COMMON SERVICES. TANZANIAN POLICY RE RESUMPTION OF TRADE WITH KENYA IS TO INSIST ON TRADE AGREEMENT WHICH WILL REFLECT TANZANIAN INTEREST IN SECURING FAIR SHARE OF LARGER SCALE INDUSTRY SERVING EAST AFRICAN REGION. IN GENERAL, MASARO  
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FELT THAT BEST PROSPECTS FOR REGIONAL ECONOMIC ASSOCIATION WOULD BE FOUND IN MUCH BROADER GROUPING OF AFRICAN COUNTRIES, POSSIBLY RUNNING IN SOUTH FROM ZAMBIA AND MOZAMBIQUE AS FAR NORTH AS SOMALIA OR EGYPT. CURRENT FOCUS OF TANZANIA RESTED ON EFFORTS TO BUILD JOINT TRADE COMMISSION RELATIONSHIPS. END SUMMARY.

2. IN COURSE OF MEETING AT STATE HOUSE, THOMAS MASARO PROVIDED

ANNE HOLLOWAY HIS DETAILED ANALYSIS OF REASONS UNDERLYING BREAK-UP OF EAC. COUP WHICH BROUGHT PRESIDENT AMIN TO POWER IN UGANDA HAD BEEN A DAMAGING FACTOR IN DESTROYING PATTERN OF GOOD WILL AMONG TANZANIAN, UGANDAN AND KTFYAN LEADERS. ALTHOUGH PRESIDENT NYERERE HAD MADE A NUMBER OF APPROACHES TO AMIN THROUGH INTERMEDIARIES INCLUDING HIS VICE PRESIDENT, AMIN HAD REBUFFED ALL EFFORTS TO WORK OUT COOPERATIVE RELATIONSHIPS INVOLVING EAC ISSUES. OTHER PROBLEMS AROSE IN TANZANIAN-KENYAN RELATIONSHIPS BECAUSE OF DIFFERENT IDEOLOGICAL APPROACHES TO DEVELOPMENT. ON ONE HAND, KENYA'S ADVANCED STATE OF INDUSTRIAL DEVELOPMENT AND CAPITALIST OUTLOOK HAD ENABLED KENYA TO OBTAIN DISPROPORTIONATE BENEFITS FROM COMMON MARKET AND COMMON SERVICES. ON THE OTHER HAND, KENYA REMAINED UNEASY AND FELT THREATENED BY THE APPEAL OF TANZANIA'S EGALITARIAN, SOCIALIST APPROACH TO DEVELOPMENT.

3. ACCORDING TO MASARO, NUMEROUS FINANCIAL AND TECHNICAL PROBLEMS ALSO AROSE IN THE OPERATION OF THE EAC WHICH MIGHT HAVE BEEN RESOLVED, HOWEVER, HAD GOOD WILL BEEN PRESENT. IN SOME RESPECTS EAC REFLECTED CONTINUATION OF COLONIAL ERA RELATIONSHIPS RATHER THANWORKING OUT OF NEW ARRANGEMENTS BASED ON RESPECTIVE COUNTRY INTERESTS.

4. MASARO SAID CRISIS POINT REACHED WHEN EACH COUNTRY DEFAULTED IN MAKING PAYMENTS TO COMMON SERVICES ORGANIZATIONS--RESULTING IN CUT-OFF OF SERVICES AND NON-PAYMENT OF SALARIES OF OTHER  
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NATIONALS.

5. BASED ON EAC EXPERIENCE, MASARO SAID TANZANIA CONTINUES TO FAVOR A REGIONAL ECONOMIC COMMUNITY BUT BELIEVES THAT WORKABLE COMMUNITY MUST BE SUBSTANTIALLY LARGER THAN THE EAC.

6. MASARO MADE POINT THAT ANY NEW ARRANGEMENT WOULD HAVE TO TAKE CARE OF PROBLEMS ARISING FROM DISPARATE LEVELS OF DEVELOPMENT BY PROVIDING SPECIAL TREATMENT TO INSURE BALANCED ECONOMIC GROWTH. SUCH AN ASSOCIATION WOULD REQUIRE BASIC AGREEMENT ON LOCATION OF MAJOR INDUSTRIES AND ON PROVISION OF REGIONAL INFRASTRUCTURE. MASARO BELIEVES THAT LARGER ASSOCIATION IS LIKELY TO LESSEN POTENTIAL FOR CONFLICT BASED UPON IDEOLOGICAL DIFFERENCES. HE WAS NOT CONFIDENT, HOWEVER, THAT SUCH ASSOCIATION WOULD NECESSARILY CONTRIBUTE TO POLITICAL STABILITY WITHIN MEMBER COUNTRIES. HE THOUGHT ECOWAS WAS USEFUL MODEL FOR EAST AFRICAN COUNTRIES TO CONSIDER.

7. MASARO SAID IT WOULD BE DIFFICULT FOR TANZANIA TO ASSUME KEY LEADERSHIP ROLE IN CREATING BROADER ECONOMIC ASSOCIATION. EFFORT HAD BEEN MADE AFTER BREAKDOWN OF EAC WITHOUT SUCCESS.

8. MASARO INDICATED THAT ONE ASPECT OF NEW ECONOMIC ASSOCIATION WOULD BE ENHANCED FACILITY FOR ATTRACTING FUNDS FOR REGIONAL PROJECTS, PARTICULARLY IN TERMS OF IBRD SUPPORT. ASKED IF TANZANIA WOULD WELCOME MULTILATERAL AID (E.G., U.S./JAPAN ASSISTANCE TO REGIONAL INVESTMENT FUND), MASARO REPLIED AFFIRMATIVELY. HE NOTED THAT ITALIAN ASSISTANCE TO ECA INSTITUTIONS IN ARUSHA HAD BEEN WELCOMED.

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CORRECTED COPY (TEXT)

9. MASARO NOTED THAT THE EAC DEVELOPMENT BANK IN UGANDA CONTINUED TO OPERATE WITH PROJECTS BEING REFERRED TO ITS BOARD BY RESPECTIVE FINANCE MINISTRIES. LIKEWISE, EAC MANAGEMENT INSTITUTE CONTINUED OPERATING IN TANZANIA AS DID SCHOOLS FOR METEOROLOGY AND FOR TELECOMMUNICATIONS TRAINING IN KENYA AND A FLYING SCHOOL IN UGANDA.

10. ASKED ABOUT THE IMPACT OF EAC BREAK-UP ON TANZANIA, MASARO EXPRESSED OPINION THAT CUT-OFF OF TRADE PROBABLY HAD NEGATIVE EFFECT, ALTHOUGH MEASURE OF IMPACT WAS DIFFICULT TO ASSESS. TANZANIA WAS NOW BUYING MORE EXPENSIVE REPLACEMENT IMPORTS FROM THIRD COUNTRIES. ALTHOUGH HE HAD REPORTS THAT TANZANIAN EXPORTS WERE FINDING OTHER MARKETS, IT WAS NOT CLEAR THAT TANZANIA WAS RECEIVING THE SAME RETURN FROM

SUCH SALES.

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11. MASARO INDICATED THAT TANZANIAN MINISTRY OF FINANCE AND PLANNING HAS LEAD ROLE WITH RESPECT TO ISSUES INVOLVING REGIONAL ECONOMIC ASSISTANCE. AT SAME TIME, A NUMBER OF INDIVIDUAL MINISTRIES (OR REGIONAL INSTITUTIONS) CONTINUE TO HAVE DIRECT RESPONSIBILITY FOR PARTICULAR ELEMENTS OF COOPERATION (E.G., MANAGEMENT INSTITUTE). MASARO RELATED THAT PRESIDENT'S ECONOMIC OFFICE WOULD CONTINUE TO PLAY A HARMONIZING ROLE WITH RESPECT TO SUCH ISSUES.

12. AS PRESENT, FOCUS OF TANZANIAN EFFORTS RE ECONOMIC COOPERATION IS ON JOINT TRADE COMMISSION ACTIVITIES. ALTHOUGH INTERESTED IN ECONOMIC COMMISSION FOR AFRICA INITIATIVE FOR EAST AND NORTH AFRICA ASSOCIATION, MASARO DOUBTED THAT THIS APPROACH WOULD WORK. ANY SUCCESSFUL EFFORT TO CREATE ASSOCIATION WOULD REQUIRE HIGHEST LEVEL POLICY AGREEMENT AT OUTSET. MASARO ALSO DISCOUNTED POSSIBILITY THAT ECONOMIC ASSOCIATION LINKING ANGOLA AND THE CONGO WITH EAST AFRICA WOULD BE WORKABLE. THIS ASSOCIATION WOULD RAISE REAL PROBLEMS OVER IDEOLOGY.

13. MASARO BELIEVED KENYA WAS INTERESTED IN COMMON MARKET RELATIONSHIP WITH TANZANIA. TANZANIA ALSO INTERESTED IF SUCH TRADING RELATIONSHIP NOT LOPSIDED. TANZANIA WOULD AGREE TO OPENING TRADE IN SIMILAR PRODUCTS IF KENYA WOULD AGREE ON FAIR ALLOCATION OF MAJOR INDUSTRIES. AT THE SAME TIME, TANZANIA FELT THAT A LARGER ECONOMIC COMMUNITY WOULD LESSEN PROSPECT OF IDEOLOGICAL STRESSES IN SUCH ECONOMIC ARRANGEMENTS. TANZANIA HAS MADE CLEAR TO KENYA THAT A FAIR AGREEMENT ON TRADE MUST BE WORKED OUT BEFORE RE-OPENING OF FRONTIER. SOME DISCUSSION IS GOING ON, HOWEVER, ON POSSIBLE ARRANGEMENTS FOR TRANSIT FACILITIES INVOLVING BOTH COUNTRIES.

14. COMMENT. MASARO'S COMMENTS ARE GENERALLY CONSISTENT WITH EARLIER EMBASSY ASSESSMENTS OF TANZANIAN ATTITUDES  
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TOWARD THE EAST AFRICAN COMMUNITY.  
SPAIN

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## Message Attributes

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